FEDERAL HOUSING FINANCE AGENCY

NEWS RELEASE

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FHFA SUBMITS REPORT ON HOMEOWNER ASSISTANCE TO CONGRESS

Washington, DC – Federal Housing Finance Agency (FHFA) Director James B. Lockhart submitted to Congress the second report as a Federal Property Manager (FPM) detailing actions FHFA is taking to prevent unnecessary foreclosures. Section 110 of the Emergency Economic Stabilization Act of 2008 (EESA) directs Federal Property Managers to develop and implement plans to maximize assistance for homeowners and encourage servicers of underlying mortgages to take advantage of programs to minimize foreclosures.

FHFA is a designated FPM in its role as conservator for Fannie Mae and Freddie Mac. Each FPM is also required to report to Congress about the number and types of loan modifications and the number of foreclosures during the reporting period. In a letter to Congress, Director Lockhart detailed the streamlined loan modification program (SMP) announced in November Also submitted was FHFA's monthly *Foreclosure Prevention Report* as of Oct 31, 2008. The most recent quarterly report, dated September 30, 2008, is now available on our website.

Letter and monthly *Foreclosure Prevention Report* attached. (Identical letters sent to Chairmen Dodd and Frank and Ranking Members Shelby and Bachus.)

Link to 3Q 08 *Foreclosure Prevention Report*.

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The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than $6.3 trillion in funding for the U.S. mortgage markets and financial institutions.

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

January 15, 2009

Honorable Christopher Dodd
Chairman
Committee on Banking, Housing,
And Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Dodd:

I am transmitting our second report in accordance with Section 110 of the Emergency Economic Stabilization Act of 2008 (EESA), titled *Assistance to Homeowners*. Section 110 of the Emergency Economic Stabilization Act of 2008 (EESA) directs Federal Property Managers (FPM) to develop and implement plans to maximize assistance for homeowners and encourage servicers of underlying mortgages to take advantage of programs to minimize foreclosures. FHFA is a designated FPM in its role as conservator for Fannie Mae and Freddie Mac. Each FPM is also required to report to Congress about the number and types of loan modifications and the number of foreclosures during the reporting period.

On December 2, 2008, I submitted to your attention the details of our streamlined loan modification program (SMP) and FHFA's *Plan to Maximize Assistance for Homeowners and Minimize Foreclosures*. Both Fannie Mae and Freddie Mac rolled-out the SMP on December 15th as scheduled. The SMP targets seriously delinquent borrowers and creates "affordable" monthly mortgage payments of no more that 38 percent of the household's monthly income. Through this program, Fannie Mae and Freddie Mac have a greater ability to quickly and efficiently create sustainable monthly mortgage payments for troubled borrowers. Potentially hundreds of thousands more struggling borrowers will be able to stay in their homes at an affordable monthly mortgage payment. The Enterprises' servicers have received hundred of thousands of calls. The Enterprises' have sent approximately 50,000 solicitations related to the SMP to homeowners since the program was implemented. Both Enterprises have suspended foreclosures until January 31, 2009 to give them time to implement the SMP.

In addition, I sent a letter to more than 40 mortgage servicers and trustees of private-label mortgage-backed securities (PLS) to encourage them to follow the SMP standards. Under this program, servicers have flexibility in modifying loans, including reducing the mortgage interest rate, extending the life of the loan or deferring payment on part of the principal. Many PLS pooling and servicing agreements reference the Enterprises' servicing standards, giving this new program reach far beyond Enterprise loans and setting a standard for the industry.

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Besides the SMP, the Enterprises have other tools at their disposal to help prevent foreclosure. Both Fannie Mae and Freddie Mac have standard processes in place to help borrowers who are less than 120 days delinquent. These options include establishing a short-term forbearance plan, a modified payment plan until the borrower is current on the mortgage or a loan modification. In December, Fannie Mae announced a new Single Family Master Trust Agreement that provides servicers the flexibility to remove a loan from an MBS pool for loan modification once the loan is delinquent only one month. In addition, Fannie Mae announced an "Early Workout" program that can help modify loans as soon as a borrower demonstrates the need, even if they are current on their loan. These changes provide for earlier loan modifications and help troubled borrowers. FHFA encourages the Enterprises to use these processes to help borrowers. To date, Fannie Mae and Freddie Mac have attempted to contact all delinquent borrowers behind in their loan payments at least 90 days about loan modifications through their modification programs.

On December 23, 2008, I convened a meeting of the four largest trustees of private label securities and the five most significant non-bank servicers of the subprime and Alt-A loans backing those securities. The purpose of this meeting was to bring trustees and servicers together with the FHFA to explore ways to more aggressively facilitate reasonable loan modifications in the private-label market. As a result of this discussion, the group agreed to work on a set of best practices and alternatives to eliminate as many of the barriers to modifying loans as possible and to encourage public and private market participants to work together to eliminate obstacles. While FHFA has no explicit authority in this area, the GSEs have large holdings of such securities and we share the responsibility to solve the complex problem of modifying loans backing PLS. We will continue to facilitate and coordinate communications and cooperation among the key private market participants to solve this problem.

On January 13, 2009, Fannie Mae has announced a new policy that will allow tenants in Fannie Mae-owned foreclosed properties to stay in their homes if they are able to make their rental payments. For tenants who would prefer not to enter into a lease, Fannie Mae will continue to offer monetary support for the transition to a new residence as an alternative option. Freddie Mac is also drafting a policy that would allow tenants to remain in REO acquired properties. Both GSEs currently have a tenant eviction moratorium in place through January 31, 2009. Freddie Mac plans to have the new tenant policies in place prior to the end of the suspension period. The FHFA will be working with each Enterprise to ensure that these new tenant protection policies are expeditiously implemented.

In accordance with the reporting requirements of Section 110(b)(5), please find attached our FHFA monthly *Foreclosure Prevention Report*, which reports on loan modifications and foreclosure activities of the enterprises as of October 31, 2009. FHFA also publishes a quarterly report with detailed analysis. The most recent quarterly report, dated September 30, 2008, is posted to our website at www.fhfa.gov. The FHFA *Foreclosure Prevention Reports* summarize data provided by Fannie Mae and Freddie Mac and gives a comprehensive view of their efforts to assist borrowers through forbearance, payment plans, and loan modification, and other alternatives to foreclosure such as short sales and deeds-in-lieu. The reports focus on the delinquencies, loss mitigation actions, and foreclosure data reported by more than 3,000 approved servicers.

The attached October 31, 2008 *Monthly Foreclosure Prevention Report* indicates that of the Enterprises' 30.6 million residential mortgages:

- Loans 60+ days delinquent as a percent of all loans increased from 1.46 percent as of March 31 to 1.73 percent as of June 30 to 2.21 percent as of September 30 and to 2.39 percent as of October 31.
- Loans for which foreclosure was started as a percent of loans 60+ days delinquent declined from 8.29 for the first quarter, 7.81 percent for the second quarter and 7.12 percent for the third quarter to 6.44 percent for October.
- Loan modifications completed increased to 5,639 for October from a monthly average of 4,475 for the third quarter – an increase of 26 percent.
- For modifications completed in October, 57.8 percent were modified with an interest rate reduction, and 43.2 percent were completed with a change to another term.
- The loss mitigation ratio for October was 52.6 percent versus a year-to-date monthly average of 54.4 percent. The ratio is calculated at the total mitigation activities (payment plans, HomeSaver Advances, loan modifications, short sales, deeds in lieu, assumptions, and charge-offs) divided by the total of loss mitigation activities plus foreclosures completed and third-party sales.

We will continue to update, elaborate and expand FHFA's plan to maximize assistance for home owners and minimize preventable foreclosures consistent with the intent of EESA.

Sincerely,

James B. Lockhart III
Director, Federal Housing Finance Agency
Chairman, FHFA Oversight Board

Attachments

FHFA Foreclosure Prevention Report
October 31, 2008

	2007 Aver/Mo	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	2008 YTD Aver/Mo
Number of Loans (at period end)												
Total		30,135,490	30,367,051	30,408,771	30,483,080	30,661,811	30,619,891	30,623,407	30,650,194	30,744,135	30,634,428	30,532,826
Prime		24,952,459	25,153,692	25,217,229	25,307,364	25,498,551	25,498,297	25,533,099	25,581,750	25,700,544	25,680,333	25,412,332
Nonprime		5,183,031	5,213,359	5,191,542	5,175,716	5,163,260	5,121,594	5,090,308	5,068,444	5,043,591	4,954,095	5,120,494
60 Days+ Delinquency (at period end)												
Total		431,310	433,613	444,902	470,139	497,316	528,764	565,919	621,061	678,474	730,971	540,247
Prime		193,930	203,069	214,262	228,667	245,311	263,699	284,498	313,496	345,377	379,786	267,210
Nonprime		237,380	230,544	230,640	241,472	252,005	265,065	281,421	307,565	333,097	351,185	273,037
60 Days+ Delinquency (percent of total loans)												
Total		1.43%	1.43%	1.46%	1.54%	1.62%	1.73%	1.85%	2.03%	2.21%	2.39%	1.77%
Prime		0.78%	0.81%	0.85%	0.90%	0.96%	1.03%	1.11%	1.23%	1.34%	1.48%	1.05%
Nonprime		4.58%	4.42%	4.44%	4.67%	4.88%	5.18%	5.53%	6.07%	6.60%	7.09%	5.33%
Foreclosure Starts												
Total	22,545	32,583	39,980	35,957	39,031	37,887	39,925	47,770	44,170	40,969	47,086	40,536
Prime	10,604	16,096	21,832	20,021	21,965	21,579	22,374	27,998	25,082	22,495	26,808	22,625
Nonprime	11,942	16,487	18,148	15,936	17,066	16,308	17,551	19,772	19,088	18,474	20,278	17,911
Completed Foreclosure Sales												
Total	6,408	10,571	10,317	10,645	11,916	13,305	12,964	16,364	15,528	15,605	17,008	13,422
Prime	3,226	5,786	5,623	5,797	6,715	7,514	7,626	9,929	9,242	9,394	10,226	7,785
Nonprime	3,182	4,785	4,694	4,848	5,201	5,791	5,338	6,435	6,286	6,211	6,782	5,637
Completed Foreclosure Sales (Percentage of Starts)												
Total	28.4%	32.4%	25.8%	29.6%	30.5%	35.1%	32.5%	34.3%	35.2%	38.1%	36.1%	33.1%
Prime	30.4%	35.9%	25.8%	29.0%	30.6%	34.8%	34.1%	35.5%	36.8%	41.8%	38.1%	34.4%
Nonprime	26.6%	29.0%	25.9%	30.4%	30.5%	35.5%	30.4%	32.5%	32.9%	33.6%	33.4%	31.5%
Completed Foreclosure Sales (Percentage of Starts with a 6-month lag)												
Total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	50.2%	38.8%	43.4%	43.6%	n/a
Prime	n/a	n/a	n/a	n/a	n/a	n/a	n/a	61.7%	42.3%	46.9%	46.6%	n/a
Nonprime	n/a	n/a	n/a	n/a	n/a	n/a	n/a	39.0%	34.6%	39.0%	39.7%	n/a
HomeSaver Advance (Fannie Mae Only)												
Total	n/a	0	11	1233	2,052	2,881	11,725	10,599	7,914	8,764	6,800	5,198
Prime	n/a	0	3	343	545	856	4,459	4,285	2,747	3,134	1,998	1,837
Nonprime	n/a	0	8	890	1,507	2,025	7,266	6,314	5,167	5,630	4,802	3,361

FHFA Foreclosure Prevention Report
October 31, 2008

	2007 Aver/Mo	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	2008 YTD Aver/Mo
Borrower Workout Plans (Repayment Plans Initiated + Modifications Plans Completed)												
Total	52,188	28,911	24,696	25,799	25,804	24,615	31,399	30,334	33,940	34,921	35,121	29,554
Prime	16,976	10,263	9,105	9,496	9,774	9,427	12,030	12,007	13,639	13,836	14,225	11,380
Nonprime	35,212	18,648	15,591	16,303	16,030	15,188	19,369	18,327	20,301	21,085	20,896	18,174
Formal Repayment Plans Initiated												
Total	17,585	24,683	18,809	20,264	21,837	19,945	24,661	26,082	29,506	30,183	29,482	24,545
Prime	6,061	8,946	7,244	7,696	8,571	7,786	10,022	10,506	12,094	12,120	12,196	9,718
Nonprime	11,524	15,737	11,565	12,568	13,266	12,159	14,639	15,576	17,412	18,063	17,286	14,827
Modifications Completed												
Total	34,603	4,228	5,887	5,535	3,967	4,670	6,738	4,252	4,434	4,738	5,639	5,009
Prime	10,915	1,317	1,861	1,800	1,203	1,641	2,008	1,501	1,545	1,716	2,029	1,662
Nonprime	23,688	2,911	4,026	3,735	2,764	3,029	4,730	2,751	2,889	3,022	3,610	3,347
Modifications by Type (EESA Section 110)												
Interest Rate Reduction	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	3,202	NR
Reduction in Loan Principal	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	-	NR
Other	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	2,437	NR
Modifications as a Percent of Workout Plans												
Total	66.3%	14.6%	23.8%	21.5%	15.4%	19.0%	21.5%	14.0%	13.1%	13.6%	16.1%	16.9%
Prime	64.3%	12.8%	20.4%	19.0%	12.3%	17.4%	16.7%	12.5%	11.3%	12.4%	14.3%	14.6%
Nonprime	67.3%	15.6%	25.8%	22.9%	17.2%	19.9%	24.4%	15.0%	14.2%	14.3%	17.3%	18.4%
Borrower Workout Plans (Repayment Plans Initiated + Modifications Completed) as a Percent of Completed Foreclosure Sales												
Total	814%	273%	239%	242%	217%	185%	242%	185%	219%	224%	206%	220%
Prime	526%	177%	162%	164%	146%	125%	158%	121%	148%	147%	139%	146%
Nonprime	1107%	390%	332%	336%	308%	262%	363%	285%	323%	339%	308%	322%
Short Sales Completed												
Total	335	516	556	704	850	1,056	1,156	1,493	1,466	1,718	2,103	1,162
Prime	172	303	341	425	525	677	754	1,001	1,034	1,201	1,489	775
Nonprime	163	213	215	279	325	379	402	492	432	517	614	387
Deeds-in-Lieu Completed												
Total	69	102	84	122	107	62	67	118	138	171	156	113
Prime	48	62	61	93	82	42	44	80	114	118	123	82
Nonprime	21	40	23	29	25	20	23	38	24	53	33	31

FHFA Foreclosure Prevention Report
October 31, 2008

	2007 Aver/Mo	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	2008 YTD Aver/Mo
Charge-Offs in Lieu of Foreclosure Completed												
Total	40	56	42	70	41	49	66	73	57	71	97	62
Prime	14	24	11	28	16	20	27	34	25	28	39	25
Nonprime	26	32	31	42	25	29	39	39	32	43	58	37
Total Loss Mitigation Actions Completed (# of Loans)												
Payment Plans Completed	4,531	5,024	6,777	6,314	5,595	5,504	5,294	4,897	4,720	5,093	4,927	5,415
HomeSaver Advance (Fannie Mae Only)	-	-	11	1,233	2,052	2,881	11,725	10,599	7,914	8,764	6,800	5,198
Loan Modifications Completed	2,884	4,228	5,887	5,535	3,967	4,670	6,738	4,252	4,434	4,738	5,639	5,009
Short Sales Completed	335	516	556	704	850	1,056	1,156	1,493	1,466	1,718	2,103	1,162
Deeds-in-Lieu Completed	69	102	84	122	107	62	67	118	138	171	156	113
Assumptions Completed	-	-	-	-	-	-	-	-	-	-	-	-
Charge-offs in Lieu of Foreclosure Completed	40	56	42	70	41	49	66	73	57	71	97	62
Total	7,858	9,926	13,357	13,978	12,612	14,222	25,046	21,432	18,729	20,555	19,722	16,958
Foreclosure Sales Completed	6,408	10,571	10,317	10,645	11,916	13,305	12,964	16,364	15,528	15,605	17,008	13,422
Third Party Sales	42	686	656	598	712	673	653	718	719	1,935	784	813
Total	6,450	11,257	10,973	11,243	12,628	13,978	13,617	17,082	16,247	17,540	17,792	14,236
Total Loss Mitigation Actions, Foreclosure Sales, and Third Party Sales	14,309	21,183	24,330	25,221	25,240	28,200	38,663	38,514	34,976	38,095	37,514	31,194
Loss Mitigation Performance Ratio	54.9%	46.9%	54.9%	55.4%	50.0%	50.4%	64.8%	55.6%	53.5%	54.0%	52.6%	54.4%